

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA GAS)
COMPANY, INC. AND SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY PURSUANT TO IND.)
CODE 8-1-2.5 ET. SEQ., FOR THE APPROVAL OF AN)
ALTERNATIVE REGULATORY PLAN PURSUANT)
TO WHICH INDIANA GAS COMPANY, INC. AND)
SOUTHERN INDIANA GAS AND ELECTRIC)
COMPANY WOULD CONTINUE THEIR)
RESPECTIVE CUSTOMER BILL ASSISTANCE)
PROGRAMS THROUGH SEPTEMBER 30, 2020 AND)
REVISIONS TO THE UNIVERSAL SERVICE FUND)
RIDER CAP FOR RESIDENTIAL CUSTOMERS)

CAUSE NO. 44455

PUBLIC'S EXHIBIT NO. 2-S

SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 15, 2014

Respectfully submitted,



Randall C. Helmen
Attorney No. 8275-49
Chief Deputy Consumer Counselor

**INDIANA GAS COMPANY, INC. AND SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY
CAUSE NO. 44455
SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE**

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Heather R. Poole, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (OUCC) as a
6 Senior Utility Analyst. I have worked as a member of the OUCC's Natural Gas
7 Division since December of 2010.

8 **Q: Please describe your educational background and experience.**

9 A: I graduated from the School of Business at Ball State University in Muncie,
10 Indiana with a Bachelor of Science Degree in Accounting in May 2001 and a
11 Master of Science Degree in Accounting in May 2002. From September 2002
12 through September 2010, I worked for London Witte Group, LLC, a CPA firm in
13 Indianapolis, Indiana, as a Senior Staff Accountant. I prepared and reviewed
14 individual, corporate, not-for-profit, property and payroll tax returns. I also
15 prepared compilations, reviews and audit reports in compliance with GAAP for a
16 variety of utility companies and not-for-profit organizations; prepared
17 depreciation schedules; and guided clients through year-end accounting processes,
18 including preparation and review of adjusting entries. I prepared and reviewed

1 Gas Cost Adjustment (GCA) petitions, as well as annual reports filed with the
2 Indiana Utility Regulatory Commission (Commission) for natural gas companies
3 within the State of Indiana. I also prepared rate case exhibits and schedules filed
4 with the Commission on behalf of various gas utility clients.

5 In December 2010, I began my employment with the OUCC as a Utility
6 Analyst II. In October 2012, I was promoted to Senior Utility Analyst. My
7 current responsibilities include reviewing and analyzing GCA petitions and rate
8 cases filed by Indiana natural gas, electric and water utilities with the
9 Commission. I also review special contracts, tariff, financing, certificate of public
10 necessity, pipeline safety adjustment, alternative regulatory plan, 7-Year Plan, and
11 Transmission, Distribution, and Storage System Improvement Charges (TDSIC)
12 Tracker cases. While employed at the OUCC, I completed NARUC's Utility Rate
13 School hosted by the Institute of Public Utilities at Michigan State University and
14 the Institute of Public Utilities Advanced Regulatory Studies Program at
15 Michigan State University. I am also a member of the Indiana CPA Society.

16 **Q: Have you previously testified before the Commission?**

17 A: Yes, I have testified in GCAs, rate cases, TDSIC Trackers, tariff and special
18 contract cases involving gas and water utilities. I also provided extensive
19 testimony in the Commission's investigation into the existing GCA procedures
20 and schedules.

21 **Q: What is the purpose of your settlement testimony?**

22 A: The purpose of my settlement testimony is to support and recommend approval of
23 the Settlement Agreement between Indiana Gas Company, Inc. (Vectren North),

1 Southern Indiana Gas and Electric Company (Vectren South) (collectively
2 Vectren), the OUCC and the Vectren Industrial Group (collectively the Parties).
3 The Parties have negotiated a proposed settlement of all material issues in this
4 Cause. I will give a brief description of the general reconciliation of the USP,
5 Vectren's allocation factors, and customer over/(under) collections. OUCC
6 witness Brad Lorton discusses parts of the Settlement Agreement regarding
7 extension of the USP, the proposed cap increase, and creating a more appropriate
8 balance between the utility and ratepayers in their respective contributions to the
9 USP.

10 **Q: Please describe the review and analysis you conducted to prepare your**
11 **testimony.**

12 A: I reviewed Vectren's testimony, exhibits and supporting documentation, as well
13 as the Settlement Agreement. I also reviewed discovery responses and
14 participated in meetings with other OUCC staff members and Vectren's
15 representatives to identify and address the issues in this Cause.

II. GENERAL RECONCILIATION OF THE USP

16 **Q: Does Vectren file a reconciliation of its USP each year?**

17 A: Yes. As a result of Cause No. 44094, Vectren was ordered to file its respective
18 updated USP rider rates no less than three business days before the beginning of
19 the USP program year. Vectren has filed these reconciliation reports in both 2012
20 and 2013.

1 **Q: Please explain the general mechanics of the reconciliation.**

2 A: The reconciliation contains three components. The first component is the actual
3 reconciliation of the prior year activity. The second component projects costs for
4 the upcoming USP season. The third component is the derivation of the actual
5 rates for the upcoming USP season.

6 **Q: Please explain the reconciliation component.**

7 A: The reconciliation component calculates the discounts and hardship credits given
8 to customers during the prior year, less company contributions, less actual and
9 projected customer contributions to arrive at a net over/(under) collection for that
10 year. This over/(under) collection is added to the beginning Universal Service
11 Fund (USF) balance carried over from the prior year to arrive at an ending USF
12 balance.

13 **Q: Please explain the projection component.**

14 A: The projection component calculates projected discounts and hardship credits for
15 the next year, less company contributions, to arrive at a projected USF Rider
16 balance. This projected balance is added to the ending USF balance from the
17 reconciliation component to arrive at a total projected USF Rider balance.

18 **Q: Please explain the derivation component.**

19 A: The derivation component uses allocation factors to allocate the projected USF
20 Rider balance to the three classes of customers (residential, commercial and
21 industrial) to arrive at the allocated costs to be recovered per customer class. The
22 allocated costs to be recovered per customer class are then divided by projected
23 volumes to arrive at the proposed USF Rider Rate for each class.

1 **Q: Does the OUCC have any concerns with the reconciliation process?**

2 A: The OUCC agrees with the reconciliation process, but does have concerns with
3 the allocation of over/(under) collections from customer classes, as discussed
4 below.

III. VECTREN'S ALLOCATION FACTORS

5 **Q: How are Vectren's allocation factors calculated?**

6 A: Customer allocations are based on actual customer contributions from the prior
7 period. These allocations are based on actual customer contributions at the time
8 the USF rider is calculated. Because the rider is calculated and filed in early
9 September, only actual contributions for the time frame of October through July
10 are used. For example, Vectren North collected 74.39% of all customer
11 contributions for the period of October 2011 through July 2012 from residential
12 customers. Similarly, Vectren North collected 21.50% and 4.12% of all customer
13 contributions for the period of October 2011 through July 2012 from commercial
14 and industrial customers, respectively. Therefore, the allocation of 2012-2013
15 costs to be recovered are allocated 74.39% to residential customers, 21.50% to
16 commercial customers and 4.12% to industrial customers.

17 **Q: Does the OUCC have any concerns with the allocation factors used in recent**
18 **years?**

19 A: Yes. The derivation of USF Rider rates for the 2012-2013 USP season for
20 Vectren North resulted in a proposed USF Rider rate of \$0.0000/Therm for the
21 industrial class. Therefore, Vectren collected no money from industrial customers
22 during the 2012-2013 USP season.

1 **Q: Have the Parties agreed to a resolution regarding the OUCC's concern?**

2 A: Yes. Vectren will prospectively round up (to \$0.0001 per therm) any USF rate
3 that otherwise rounds to \$0.0000 per therm. Vectren will continue to recognize
4 all rate caps that are in place, as well as the \$200 monthly cap in place for
5 Industrial customers.

IV. CUSTOMER OVER/(UNDER) COLLECTIONS

6 **Q: Does Vectren's current method of reconciliation cause over/(under)**
7 **collections from different classes of customers?**

8 A: Yes. The USF rider is segregated by customer class (residential, commercial and
9 industrial). All three of these customer classes are allocated costs and have a
10 different rate each year. However, once the Company reconciles allocations
11 against recoveries, any variances caused by a specific rate class are not taken into
12 consideration in the allocation of costs to that rate class in the following year.

13 **Q: Can you provide examples of the over/(under) collections from the last two**
14 **years?**

15 A: Yes. For Vectren North, over/(under) collections were as follows:

USP Period	Customer Class	Over/(Under) Collection
10/1/11 – 9/30/12	Residential	(\$156,572)
	Commercial	(\$30,020)
	Industrial	(\$19,491)
10/1/12 – 9/30/13	Residential	\$21,666
	Commercial	\$250
	Industrial	(\$15,951)

16 For Vectren South, over/(under) collections were as follows:

USP Period	Customer Class	Over/(Under) Collection
10/1/11 – 9/30/12	Residential	(\$98,883)
	Commercial	(\$33,662)
	Industrial	(\$118,804)
10/1/12 – 9/30/13	Residential	(\$298,368)
	Commercial	(\$91,465)
	Industrial	(\$57,424)

1 **Q: How are these over/(under) collections allocated to customers in the following**
2 **year?**

3 **A:** As discussed above in the general reconciliation of USP section, any over/(under)
4 collection balance at the end of the year carries forward to the following year, and
5 is reallocated among customer classes.

6 **Q: Does the OUCC have any concerns with Vectren's methodology of allocating**
7 **over/(under) collections in the following year?**

8 **A:** Yes. During the 2011-2012 USP season, Vectren South had total under-
9 collections of \$251,349 broken out as \$98,883 from residential customers,
10 \$33,662 from commercial customers, and \$118,804 from industrial customers.
11 This under-collection is added in to the projections for the 2012-2013 USP season
12 and re-allocated to customers. The prior year under-collection of \$251,349 was
13 allocated to residential customers in the amount of \$172,048, to commercial
14 customers in the amount of \$51,577 and to industrial customers in the amount of
15 \$27,699. Therefore, residential and commercial customers are respectively
16 paying \$73,165 and \$17,915 more than their allocated costs from the prior year.
17 Industrial customers are paying \$91,105 less than their allocated costs from the

1 prior year. In this instance, residential and commercial customers are paying
 2 costs that should be collected from industrial customers, as shown below.

Customer Class	Over/(Under) Collection	Allocated in Following Year	Difference
Residential	(\$98,883)	(\$172,048)	\$73,165
Commercial	(\$33,662)	(\$51,577)	\$17,915
Industrial	(\$118,804)	(\$27,699)	(\$91,105)
Total	(\$251,349)	(\$251,324)	(\$25) (Rounding)

3 **Q: Have you performed the same calculations for the 2012-2013 USP season for**
 4 **Vectren South?**

5 A: Yes. Vectren South 2012 – 2013 USP Period:

Customer Class	Over/(Under) Collection	Allocated in Following Year	Difference
Residential	(\$298,368)	(\$306,147)	\$7,779
Commercial	(\$91,465)	(\$91,777)	\$312
Industrial	(\$57,424)	(\$49,288)	(\$8,136)
Total	(\$447,257)	(\$447,212)	(\$45) (Rounding)

6 For the two years combined, residential and commercial customers are
 7 respectively paying \$80,944 and \$18,227 more than their prior allocation, and
 8 industrial customers are paying \$99,241 less than their prior allocation.

9 **Q: Have you performed the same calculations for the 2011-2012 and 2012-2013**
 10 **USP seasons for Vectren North?**

11 A: Yes. Vectren North 2011-2012 USP Period:

Customer Class	Over/(Under) Collection	Allocated in Following Year	Difference
Residential	(156,572)	(\$153,305)	(\$3,267)
Commercial	(\$30,020)	(\$44,308)	\$14,288
Industrial	(\$19,491)	(\$8,491)	(\$11,000)
Total	(\$206,083)	(\$206,104)	(\$21) (Rounding)

1 Vectren North 2012 – 2013 USP Period:

Customer Class	Over/(Under) Collection	Allocated in Following Year	Difference
Residential	21,666	\$4,437	\$17,229
Commercial	\$250	\$1,282	(\$1,032)
Industrial	(\$15,951)	\$246	(\$16,197)
Total	\$5,965	\$5,966	(\$1) (Rounding)

2 For the two years combined, residential and commercial customers are
3 respectively paying \$13,962 and \$13,256 more than their prior allocation, and
4 industrial customers are paying \$27,197 less than their prior allocation.

5 **Q: Have the Parties agreed to a resolution regarding the OUCC's concern?**

6 A: Yes. Vectren will perform the reconciliation of costs and USF Rider recoveries
7 for each class of customers, based on the allocation of costs applicable to each
8 class, from this point going forward. Costs allocated to each rate class for the
9 following twelve month period will only include those over/(under) collections
10 caused by each respective rate class.

V. CONCLUSION

1 **Q: Please summarize your recommendation.**

2 A: I recommend the Commission approve the Settlement Agreement filed in this
3 Cause. The Settlement Agreement addresses the OUCC's concerns in relation to
4 allocation factors and customer over/(under) collections as discussed above. The
5 OUCC supports rounding up any allocation factor (to \$0.0001/Therm) for any
6 USF rate which otherwise rounds to zero. The \$200 monthly cap shall remain in
7 place for industrial customers.

8 The OUCC also supports a separate reconciliation of allocations and
9 recoveries for each class of customers from this point going forward, which will
10 help reduce customer subsidization among classes. Allocations of prior year
11 over/(under) collections in the following year should reflect the over/(under)
12 collections caused by each specific rate class.

13 **Q: Does this conclude your testimony?**

14 A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Heather R Poole

Heather R. Poole
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No. 44455
Joint Petition of Indiana Gas Company, Inc.
and Southern Indiana Gas and Electric
Company

5-13-14


Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Public's Exhibit No. 2-S - Testimony of OUCC Witness Heather R. Poole* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 15, 2014.

Robert E. Heidorn
Michelle D. Quinn
VECTREN CORPORATION
211 N.W. Riverside Drive
Evansville, IN 47708
rheidorn@vectren.com
mquinn@vectren.com

Timothy L. Stewart
LEWIS & KAPPES, P.C.
One American Square, Suite 2500
Indianapolis, IN 46282
tstewart@lewis-kappes.com



Randall C. Helmen
Attorney No. 8275-49
Chief Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile